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SIPDIS

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DEPT FOR SCA/INS  
EB/TPP/ABT TLERSTEN  
DEPT PASS TO USTR FOR AHEYLIGER  
COMMERCE FOR ITA/OTEXA MDANDREA

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TAGS: [ECON](#) [ETRD](#) [KTEX](#) [NP](#)

SUBJECT: TEXTILES AND APPAREL SECTOR: UPDATED STATISTICS  
AND PROJECTION OF FUTURE COMPETITIVENESS

REF: SECSTATE 138090

11. (U) The following is post's response to information on  
textiles requested in reftel.

DATA ON TEXTILES  
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12. (U) The following is available data through mid-July 2006  
unless otherwise specified.

-- Total production in USD value: Data not available  
-- Total textiles and apparel production in USD value: Data  
not available  
-- Textile/apparel share of host country imports (3.09  
percent) and exports (14.25%)  
-- Exports in textiles and apparel to the U.S.: (USD 50.72  
million through the end of 2005)  
-- Total manufacturing employment: Data not available  
-- Total textiles and total apparel employment: Approximately  
4000 persons

RESPONSES TO QUESTIONS  
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13. (U) The following are responses to reftel questions on  
textiles.

-- Are host country producers receiving lower prices due to  
heightened international competition?

The prices of textiles have not decreased.

-- Have manufacturers received more, less, or the same number  
of orders as in years past?

Manufacturers are receiving fewer orders than they have in  
the past; textile exports declined by 41% in 2005.

-- Have foreign investors, particularly Asian investors,  
closed factories or otherwise pulled out of local production?

Yes, there is only one foreign investor left in Nepal that is  
still operating. Out of approximately 150 domestic factories  
operating in 2005 there are now only 5 to 6 currently  
operating.

-- Have U.S. and EU restrictions on certain exports of textiles and apparel from China, effective through 2008, affected export prospects for host country manufacturers?

Orders in certain categories have increased but Nepalese manufacturers are not in a position to capitalize on the U.S. and EU restrictions.

-- Has the host government implemented, or is it considering implementing, safeguards or other measures to reduce growth of imports of Chinese textile and apparel products into the host country?

No, absolutely not, given a shared border with Tibet, Chinese apparel products are readily available in the local market.

-- Has increased global competition affected local labor conditions by causing employers to reduce wages, seek flexibility from government required minimum wages, or adversely affected union organizing?

The increased global competition has caused many Nepalese workers to head over the border to India to seek work there as so many factories in Nepal have shut down.

-- Has the host government or private industry taken action to increase the country's competitiveness, such as improving infrastructure, reducing bureaucratic requirements, developing the textiles (fabric production) industry, moving to higher value-added goods, or identifying niche markets? Does post think that the host government or private industry's strategy will be successful?

The Garment Association of Nepal has suggested to the Government of Nepal (GON) to construct an Export Processing Zone for garment industries near the dry port in the key Indo-Nepal border town of Birgunj, which would have the following benefits:

- The garment export zone would cut down the extra transportation cost from Kathmandu to Birgunj;
- Production would be less affected in the event of any road blockades caused by civil disturbance or natural events like landslides;
- The economies of scale would cut down on production costs;
- Handling expenses would be reduced; and
- The lead time on processing export orders would be significantly reduced.

However, the GON has not taken any steps to set up the special garment export zone, nor has it seemed particularly interested to do so.

-- If your host government is a partner in a free trade agreement or a beneficiary of a preference program such as AGOA, CBTPA, CAFTA or ATPDEA, will this be sufficient for the country to remain competitive?

Nepal is not a partner to these agreements. Members of the Garment Association of Nepal have repeatedly requested that the USG give Nepal preferential access to its markets. They are currently lobbying the members of Congress to adopt legislation which would grant that access to Nepal and several other Asian countries. Garment Association members also have looked into the possibility of free-trade agreements among several small countries in the region but there is little economic benefit to do so.

-- Overall, if not already addressed, does post think that the host country can be competitive in textiles and apparel exports given heightened global competition?

Nepal's apparel/textile industry has fallen flat after the expiration of the Multi-Fiber Agreement (MFA) regime. Nepal's garment industry can probably only survive if some kind of quota or duty free preference is accorded. In the absence of any special preference, the garment industry in Nepal is likely to continue to fade away.

